

## LEND-LEASE SETTLEMENT

*Memorandum of understanding signed at Washington May 28, 1946,  
with related documents*

*Operative May 28, 1946*

*Ratified by France July 1, 1947*

*Ratified by the President of the United States August 11, 1947*

*Ratifications exchanged at Washington October 30, 1947*

*Paragraph 5 modified by credit agreement of December 6, 1947<sup>1</sup>*

*Superseded by provisions of agreement of February 27, 1948,<sup>2</sup> regarding  
goods, services, and facilities furnished the United States Armed  
Forces insofar as provisions of earlier agreement are inconsistent  
therewith*

*Supplemented by agreements of March 14, 1949<sup>3</sup>*

*Modified by agreement of January 30, 1958<sup>4</sup>*

61 Stat. 4175; Treaties and Other  
International Acts Series 1928

### MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE PROVISIONAL GOVERNMENT OF THE FRENCH REPUBLIC REGARDING SETTLEMENT FOR LEND-LEASE, RECIPRO- CAL AID, SURPLUS WAR PROPERTY, AND CLAIMS

1. The Government of the United States of America and the Provisional Government of the French Republic have reached an understanding for the final settlement of lend-lease and reciprocal aid, and of the French obligation to the United States Government under the military supply program (Plan A); the acquisition by the French Government of certain United States Army and Navy surplus property, including installations, located in France and certain French overseas territories, and for the final settlement of other

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<sup>1</sup> Not printed.

<sup>2</sup> TIAS 1930, *post*, p. 1245.

<sup>3</sup> TIAS 1935 and 1936, *post*, pp. 1300 and 1304.

<sup>4</sup> 9 UST 67; TIAS 3979.

financial claims of each Government against the other arising out of the conduct of the war. In arriving at this understanding both Governments have recognized the considerations expressed in Article VII of their Preliminary Agreement of February 28, 1945,<sup>5</sup> on the principles applying to mutual aid, as well as the benefits accruing to each from the contributions of both to the defeat of their common enemies. In the light of the foregoing, both Governments agree that no further benefits will be sought as consideration for lend-lease and reciprocal aid.

2. The net amount due from the French Government to the United States Government for the foregoing, including all indebtedness arising from provisions of the lend-lease and reciprocal aid agreements of February 28, 1945, is \$720,000,000, made up in part of amounts now agreed upon and in part of estimated amounts subject to revision. The latter, for which the best available figures have been used pending their final determination by agreed accounting procedures, represent in the main transfers after September 1, 1945.

3. The French Government will pay interest on the net amount due to the United States Government from July 1, 1946, at the rate of two percent per annum. Such interest payments will be made annually on the first day of July of each of the years 1947 to 1950, inclusive. Beginning on July 1, 1951, interest and principal will be paid in thirty (30) equal annual installments. Each installment shall consist of the full amount of the interest due for the year preceding the July 1 on which the payment is made, and the remainder of the installment shall be the principal due in that year. Nothing herein shall be construed to prevent the French Government from anticipating the payment of any of such installments, or of any part thereof. If, by agreement of both Governments, it is determined that because of extraordinary and adverse economic conditions arising during the course of payment, the payment of any installment would not be in the joint interest of both Governments, payment may be postponed for an agreed upon period.

To the extent that the terms of payment provided in this paragraph 3 are inconsistent with those contained in previous agreements, the provisions of this paragraph shall prevail.

4. The two Governments have agreed upon arrangements and procedures for the settlement of past and future troop pay and procurement of United States Armed Forces in France and French overseas territories.

5. As and when requested by the United States Government from time to time prior to January 1, 1950, the French Government will transfer to the United States Government real property to be mutually agreed upon and not to exceed a total dollar value of \$15,000,000. In addition, the French Government will provide, at the request of the United States Government, francs representing an aggregate dollar value not in excess of \$10,000,000.

<sup>5</sup> EAS 455, *ante*, p. 1077.

Any francs so transferred will be furnished at the exchange rate established in conformity with procedures of the International Monetary Fund, or if no such rate exists, at the rate used in official French Government transactions at the time of such transfer. The United States Government will use francs so transferred exclusively to acquire or improve real property for United States Government use or to carry out educational programs agreed between the two Governments.

Transfers made in accordance with this paragraph 5 will be credited first to interest then due and then to installments of principal in direct order of maturity.

6. The two Governments have also agreed upon the following:

a) All claims and financial obligations between the two Governments arising out of the acquisition, operation, disposition or loss of French vessels and cargoes of such vessels while under United States control will be settled by the United States for \$17,500,000 in accordance with the provisions of an agreement relating to the purchase by France of up to 75 Liberty ships.

b) Both Governments express their intention of entering into a maritime claims agreement, providing for the mutual waiver of intergovernmental claims arising from maritime accidents, and for the handling by each Government of claims asserted in its courts by its nationals against the other Government and based on maritime accidents occurring prior to November 1, 1945.

c) As part of the general settlement, the French Government has agreed to process and pay all unpaid claims of French residents against the United States Government arising out of the use or infringement in war production of patent rights held by them, out of the requisitioning by the United States Government for use in the war program of any property interest owned by French residents, and out of acts or omissions prior to July 1, 1946, in France or French overseas territories of members of the United States Armed Forces or civilian personnel attached to such Forces.

d) During the course of the negotiations both Governments have reached agreement on the disposition of certain specific claims of one Government against the other. All other financial claims of either Government against the other, except where liability has heretofore been acknowledged and the method of computation agreed, which (1) arose out of lend-lease or reciprocal aid, or (2) otherwise arose on or after September 3, 1939, and prior to September 2, 1945, out of or incidental to the conduct of the war, not otherwise dealt with in this Memorandum of Understanding, are hereby waived.

e) Appropriate non-discriminatory treatment will be extended by the French Government to United States nationals in the use and disposition of installations in the building of which there has been a United States Government contribution and which are transferred under this settlement.

f) The United States Government reserves its right of recapture of any lend-lease articles held by the French Armed Forces, except petroleum products and an agreed list of non-combat aircraft. The United States Government has indicated that it does not intend to exercise generally this right of recapture, except that vessels of the United States Navy and lend-lease merchant vessels are to be returned to the United States Government unless otherwise agreed.

g) Disposals for military use to forces other than the French Armed Forces of lend-lease articles held on September 2, 1945, or received thereafter by the French Armed Forces, and disposals for civilian use other than in France and French overseas territories of such lend-lease articles, will be made only with the consent of the United States Government and any net proceeds will be paid to the United States Government. The French Government will not, except to a very limited extent, release for civilian use in, or export from, France and French overseas territories lend-lease articles held by the French Armed Forces.

h) Except as otherwise provided in this Memorandum of Understanding, the French Government and the United States Government receive full title to lend-lease and reciprocal aid articles respectively held as of September 2, 1945, or transferred thereafter. If any United States surplus installation not transferred under this Memorandum of Understanding contains a lend-lease interest, such lend-lease interest is retained by the United States.

i) The United States Government will undertake to make available to the French Government part of the United States Government's share of captured German and Japanese surface naval vessels when such vessels become excess to United States needs and are no longer needed for any task connected with the implementation of the German and Japanese surrenders.

7. The two Governments agree to conclude such specific agreements as may be necessary to implement this general understanding.

8. This Memorandum of Understanding will be effective upon signature, and instruments of ratification will be exchanged as soon as possible.

DONE AT WASHINGTON, in duplicate, in the English and French languages, both texts being equally authentic, this 28th day of May, 1946.

For the Government of the United States of America

JAMES F. BYRNES

For the Provisional Government of the French Republic

LÉON BLUM

AGREEMENT RELATING TO THE TRANSFER OF SURPLUS UNITED STATES  
ARMY AND NAVY PROPERTY AND INSTALLATIONS IN FRANCE AND CERTAIN  
FRENCH OVERSEAS TERRITORIES

In accordance with the Memorandum of Understanding regarding settlement for lend-lease, reciprocal aid, surplus war property and claims, dated May 28, 1946, and in partial consideration of the payment to be made thereunder by the Provisional Government of the French Republic to the Government of the United States, the two Governments have reached agreement for the transfer to the French Government of certain property which is surplus to the needs of the United States Armed Forces. This agreement has been made on the basis of the mutual advantages to be derived therefrom and in the expectation that the property transferable hereunder will provide substantial benefits to the French civilian economy.

1. The two Governments have agreed that the French Government shall acquire possession of and title to the following property on the terms and conditions set forth below:

a) All moveable articles of whatever description, except as set forth in paragraphs 2, 3 and 4 below, located in France and French North and West Africa which had been on May 25, 1946, or are thereafter declared to the Office of the Foreign Liquidation Commissioner, United States Department of State, as surplus to the needs and responsibilities of the United States War and Navy Departments.

b) All interests of the United States War and Navy Departments in installations (which term includes structures or capital assemblies affixed to land or buildings in a permanent manner) located in France and French North and West Africa where such interests have been or are hereafter declared to the Office of the Foreign Liquidation Commissioner as surplus to the needs and responsibilities of the War and Navy Departments.

c) All interests of the United States War and Navy Departments in certain items and installations, located at Noumea, New Caledonia, as listed by the representatives of the French Government in their Aide Memoire on the subject of the French Pacific Institute.

2. Specifically excepted from the property to be transferred under this agreement are the following:

a) Non-demilitarized combat material, including ammunition.

b) Property located in France and French North and West Africa and under contract or commitment for sale from the Government of the United States to purchasers other than the French Government. Property shall be considered under contract or commitment for the purposes of this agreement if, prior to 12:00 noon, Paris time, May 25, 1946, the Central Field Commissioners, Office of the Foreign Liquidation Commissioner, in Paris and in

Cairo, had accepted a bid therefor or had arrived at a written or oral understanding which they regard as firm.

3. Air navigation, Communication and Weather facilities installed in France and French Overseas territories will be transferred to the French Government under this agreement, subject to certain conditions to be covered by a separate agreement.

4. In view of the current transportation situation in Europe, the greater part of United States owned locomotives and rolling stock in Europe have not yet been declared surplus, and it is not possible at this time to anticipate the date of such declaration. However, when such material is declared surplus, it is the intention of the Government of the U.S. to make available to the French Government, at prices to be mutually agreed, such quantities as may be allocated to France by the European Central Inland Transportation Organization.

5. All property heretofore purchased by the French Government from the Office of the Foreign Liquidation Commissioner, which had not been paid for as of May 25, 1946, is covered by this agreement and payment therefor is included in the amount to be paid by the French Government under the Memorandum of Understanding.

6. Title to and custodial responsibility for the property described in Paragraph 1 hereof shall pass to the French Government as soon as possible, in accordance with transfer procedures to be agreed between representatives of the Government of the United States and the French Government. The French Government is prepared to accept custodial responsibility promptly, and will arrange to relieve United States personnel of this responsibility at the earliest possible date.

7. The French Government agrees that the procedure for the acquisition of the property described in Paragraph 1 hereof will not operate to prevent the United States Army or Navy from consuming or continuing to use such property, prior to its turnover under this agreement, in connection with their respective needs and responsibilities. The two Governments agree, however, that if, for any reason, the consumption or use of such property by the United States Army or Navy is materially greater than that reasonably contemplated at the time of the execution of this agreement, so as unduly to reduce the quantity of the property transferred to the French Government hereunder, the two Governments will consult together to fix an appropriate adjustment in the price to be paid therefor.

8. The French Government will use its best endeavors to insure that property transferred pursuant to this agreement shall not be imported into the United States in the same or substantially the same form, if such property was originally produced in the United States and is readily identifiable as such, unless such property is to be imported into the United States on

consignment to a person or firm in the United States for the purpose of re-conditioning for re-export, or by a member of the United States Armed Forces for his personal use.

9. The French Government, when it disposes of or distributes property pursuant to this agreement, will use its best endeavors to avoid discrimination against the legitimate interests of the United States manufacturers of such property, or their agents or distributors. Members and veterans of the United States Armed Forces, United States Government Agencies, United States citizens and non-profit institutions, and UNRRA and the International Red Cross will be accorded an opportunity to buy the property transferred under this agreement on the same basis and at the same priority as accorded to other buyers of like character.

10. To the extent that the property transferred to the French Government under this agreement does not include the items listed in the "French Purchasing Program of United States Army Surplus" submitted to the Office of the Foreign Liquidation Commissioner by the French Council of Allied Surplus on May 7, 1946, and subsequently amended, it is understood that the Foreign Liquidation Commissioner will use his best efforts to make such items available to the French Government from surplus property located outside France and French North and West Africa at prices to be mutually agreed. The Foreign Liquidation Commissioner will also use his best efforts to arrange for the transportation of such property to France, the cost thereof to be borne by the French Government. If the property is transported in United States Government owned carriers, the charge for such transportation will be mutually agreed in advance.

11. Floating equipment acquired under this agreement, with the exception of that listed in the Program referred to in Paragraph 10 above shall be distributed by the French Government in accordance with ECITO recommendations at prices not to exceed 50 per cent of original cost to the United States.

12. U.S. Army or Navy surplus property located in foreign areas hereafter sold by the United States to the French Government under the provisions of paragraphs 4 or 10 hereof or otherwise will be sold on the same credit terms and conditions as those set forth in the Memorandum of Understanding.

DONE AT WASHINGTON, in duplicate, in the French and English languages, both texts being authentic, this 28th day of May, 1946.

For the Provisional Government of the French Republic  
H. BONNET

For the Government of the United States of America  
THOMAS B. McCABE

## LETTER RELATING TO SALE OF ARMY AND NAVY SURPLUS

*The American Foreign Liquidation Commissioner to the French  
Ambassador*

## OFFICE OF FOREIGN LIQUIDATION COMMISSIONER

Room 520  
1818 H Street N.W.

MAY 29, 1946

DEAR MONSIEUR BLUM:

Referring to the Agreement dated 28 May 1946, relating to the sale to your Government of United States Army and Navy surplus, this will confirm to you that the latest estimates which we have received from the Army with respect to the surplus property to be transferred under the agreement are as follows (at original cost) :

	"Surplus Declared"		"Surplus To Be Declared"
	(In millions of dollars)		
	France	French North & West Africa	France
Army Service Forces			
Moveable Goods	749	25	469
Army Air Forces			
Moveable Goods	17	24	—
Fixed Installations	98	21	95
Total	864	70	564
TOTAL.....			1, 498
Estimated commitments.....			100
GRAND TOTAL.....			1, 398

For your further information, attached hereto as Schedule "A" through "C" is a further breakdown of the above schedule.

As was pointed out to you during the negotiations, it is estimated that property representing an original cost of approximately \$100,000,000 is already committed for sale to various purchasers, including France.

Of the following items, to which you have indicated that you attach unusual importance, the current Army estimates are:

Class 34—Machine tools and sets.....	30 millions
Class 67—Clothing .....	66 millions
Class 68—Footwear .....	9 millions
Class 69—Blankets .....	0.5 millions

In paragraph 7 of the Agreement, provision has been made for the continued use by the United States Army and Navy of property in France prior to its turnover under this Agreement. This provision is not intended to cover unusual or abnormal use or consumption. If for any reason, the use or consumption is materially greater than that now contemplated, it is envisaged that an appropriate adjustment will be made in the amount to be



paid by the French Government under the Agreement. It is not intended, however, that this provision will necessitate adjustment in the case of a minor excess or deficiency, which is to be expected in dealing with estimates of this magnitude.

We have taken note of the items listed in the "French Purchasing Program of United States Army Surplus" submitted to the Foreign Liquidation Commissioner by the French Council of Allied Surplus on May 7, 1946, and subsequently amended (Schedule "D" <sup>6</sup>). To the extent that these items are not transferred under the Agreement, the Foreign Liquidation Commissioner will use his best efforts to make such items available from surplus stocks in other parts of the world. These items will be made available at 20% of original cost. The Foreign Liquidation Commissioner will also use his best efforts to arrange for the transportation of such property to France, the cost thereof to be borne by the French Government.

It is also the intention of the Foreign Liquidation Commissioner to make available to the French Government such of its requirements for locomotives and rolling stock, as may be available from surplus property and as may be allocated to France by the ECITO. These sales are not, however, covered by the understanding set forth in the preceding paragraph for the sale of certain items at 20% of original cost.

The Memorandum of Agreement provides for the termination of sales as of noon, Paris time, May 25, 1946. For your convenience, we will be glad to request Mr. Virden to communicate to the Conseil des Surplus information as to the property covered by contracts or commitments prior to that time.

Sincerely yours,

THOMAS B. McCABE  
*Commissioner*

Enclosures: Schedules  
"A" through "D" <sup>10</sup>

The Honorable

LEON BLUM

*Ambassador Extraordinary and Plenipotentiary  
of the Provisional Government of the French Republic  
French Embassy.*

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<sup>6</sup> Not printed here.

## SUMMARY—U. S.—FRENCH CLAIMS

SUMMARY STATEMENT SHOWING DETERMINATION OF THE NET AMOUNT  
STATED AS DUE FROM THE FRENCH GOVERNMENT TO THE UNITED STATES  
GOVERNMENT UNDER PARAGRAPH 2 OF THE MEMORANDUM OF UNDER-  
STANDING DATED MAY 28, 1946

		(In millions of dollars)
<u>I. Items accruing under previous cash reim-</u>		
<u>bursable arrangements</u>		
Crowley-Monnet	23. 00	
Modus-Vivendi	125. 00	
Colonies	5. 00	
Civilian retransfers from U.K.	1. 00	
		154. 00
II. <u>VJ day inventories</u> —Metropolitan France	50. 00	
—Military POL and transport aircraft	11. 48	
		61. 48
III. <u>Transfers under 3(c) Agreement</u>		
Post VJ day transfers Schedules I and II (including ocean freight)—		
Billings to April 30, 1946	173. 79	
Estimated balance	226. 00*	
Pre VJ day transfers Schedule II	5. 24	
		405. 03
IV. <u>Other post-VJ day transfers</u>		
Navy pipeline, FEA field transfers, and Army-Navy transfers not specified by the U.S. as straight lend-lease		80. 00*
		700. 51
Less— <u>Credit on account of payments by</u>		
France to date—	232. 21	
Allowance on account of shipping claims—	17. 50	
Net balance of other claims after appropriate offsetting	30. 80	
		280. 51
<u>Balance payable by France</u>		420. 00

\*Note 1: All figures on this sheet are agreed as final excepting only the starred figures of \$226.00 million and \$80.00 million, which represent the best present estimates to be revised as additional reports are received.

Note 2: As part of the settlement, the U.S. will transfer in accordance with an agreement on shipping claims, \$17.50 million to the U.S. Maritime Commission on account of the purchase price of up to 75 Liberty ships by the French.

Note 3: The above figures do not reflect any amount owing by the French on account of the purchase of surplus property and installations.

HENRY R. LABOUISSÉ JR.

Initialed on behalf of  
the United States Government

CHRISTIAN VALENSI

Initialed on behalf of  
the French Government

WASHINGTON, D. C:  
May 28, 1946.

UNITED STATES-FRENCH WAR SETTLEMENT COMMITTEE AGREED  
COMBINED STATEMENT WITH RESPECT TO CLAIMS

The claims presented by the two Governments have been considered by a combined subcommittee on claims, whose report has been reviewed by the Combined War Settlement Committee. The claims described below are finally disposed of as indicated. The following points are also agreed to:

1. The formula for settlement of certain claims represents concessions on both sides from customary operating policies, which concessions are made only in the context of a generally satisfactory settlement of all war accounts.
2. Certain claims relating to the *Modus Vivendi* account are not reflected in the summary of claims attached hereto, as it is assumed that a broad adjustment of those accounts will be made.
3. The Memorandum of Understanding will contain provisions concerning waiver of claims not dealt with herein.

FRENCH CLAIMS

1. *Military Aid in North Africa.* The *Modus Vivendi* of September 25, 1943,<sup>7</sup> provided that military aid for French North and West Africa would be provided on a straight lend-lease basis, that the French would pay for civilian supplies, and that the distinction between the two would be made by agreement. The French claim that of approximately \$373.8 million billed or to be billed as civilian supplies, \$40.8 million were in fact applied to direct or indirect military use and should be treated as straight lend-lease under the terms of the *Modus Vivendi*. The U.S. side has in general accepted the calculations presented by the French, but believes that the items of \$2.8 million for supplies in West Africa and approximately \$5.5 million for supplies shipped after March 1, 1945, represent excessive allowances for military aid. The French claim is reduced by \$1.4 million of automotive equipment for West Africa and by \$1.5 million representing supplies shipped after July 1, 1945, and the claim allowed at \$37.9 million, to be deducted from the *Modus Vivendi* account and added to the military lend-lease account.

2. *Prisoner of War Packages.* Supplies, consisting chiefly of food, were requisitioned by the French under the *Modus Vivendi* for delivery through the International Red Cross to French prisoners of war. The French contend that these deliveries should be considered as military aid and treated as straight lend-lease, and state that in fact \$11 million were never received by them. The French claim of \$25 million is allowed and the *Modus Vivendi* account will be reduced by this sum, to be added to the military lend-lease account.

3. *Monnet-Crowley Adjustment.* Certain goods requisitioned for French North Africa under the *Modus Vivendi* were actually shipped to

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<sup>7</sup> EAS 483, *ante*, p. 1063.

Metropolitan France in June 1945, during the period of straight lend-lease to that area. The French claim that these items should be charged to straight lend-lease instead of to the Crowley-Monnet account. This claim is allowed in the sum of \$0.4 million.

4. *Freight on Off-shore Goods.* During the period of straight lend-lease to Metropolitan France, the French purchased for cash outside the United States goods which were transported to France on U.S. owned or controlled vessels, and are asked to pay the ocean freight in cash. The French request that these ocean freight charges be changed to a straight lend-lease basis. The U.S. side points out that ocean freight charges on goods not acquired under lend-lease have, as an operating matter, been furnished on a lend-lease basis infrequently and only under special circumstances. However, in view of the fact that the goods in question would have been eligible to lend-lease if acquired in the United States, and in view of the fact that French vessels being under the control of the U.S. or U.K. were not available to carry these goods, it is considered appropriate, as an incident of a general settlement, to allow this claim at \$4 million to be reflected in net claims balance.

5. *Miscellaneous Freights.* The French have been billed cash for ocean freight in certain cases where they believe that the freight should have been furnished as straight lend-lease or on 3(c) terms. WSA reports that the items eligible for straight lend-lease have been refunded to the French out of lend-lease funds and that the items chargeable on a 3(c) basis will be so treated as an accounting matter so that they need not be considered as claims. The French have accordingly withdrawn this claim.

6. *Coal.* By agreement dated 25 August 1944, it was established that coal procured by the U.S. Military in Metropolitan France would not be furnished by the French as reciprocal aid, but would be replaced in kind or paid for by the United States. A study has been made of the transactions, and it is agreed that U.S. withdrawals up to VJ Day exceed by 150,000 tons replacement up to 31 December 1945. France requests settlement at \$20 per ton, the approximate landed cost of coal actually purchased for cash by France in the United States to meet French coal deficiencies. The claim is allowed, to be settled by payment on the same basis as other pre-VJ Day procurement ineligible as reciprocal aid.

7. *Other Short Supply Goods.* The French have withdrawn this claim.

8. *Price of Cotton.* For cotton furnished on a cash reimbursable basis and on 3(c) credit, France has been billed the domestic price. France requests that the lower export price be used, and the U.S. side agrees to the principle. The claim is allowed. The Crowley-Monnet account should be reduced by \$1.4 million and the 3(c) account by \$11.2 million, to reflect the appropriate adjustment for cotton furnished on that basis. It is understood that this principle has been borne in mind in pricing cotton in inventory.

9. *Price of Sugar.* Similarly, France requests certain allowances for processing taxes and for drawback of customs duties on sugar exported to

France and to French North Africa. These are customarily arranged for on peacetime commercial exports, but the administrative requirements could not be complied with in the case of these shipments, and the allowances are therefore not reflected in the present billings. The claim is allowed; the Modus Vivendi account should be reduced by \$7.4 million and the 3(c) account by \$0.1 million.

10. *Price of Locomotives.* Seven hundred locomotives were transferred to France under Schedule II of the 3(c) Agreement, and are billed at a price of approximately \$120,700 each, f.a.s. New York. The French contended that this charge was excessive, as they had purchased substantially similar locomotives privately for \$110,500 each, f.o.b. plant. The U.S. side explained the computation of the charge, as follows (in approximate figures):

Cost of locomotives under War Department Contract—	\$110,000
Army Transportation Corps charge for services, inspection, etc. (5%)—	5,500
War Department charge for handling, inland freight, etc. (10%)—	11,550
	<hr/>
	127,050
Less 5% discount under 3(c) Agreement—	6,350
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Price billed to French—	\$120,700

The U.S. side further stated that the War Department charges of 5 and 10 percent were specifically imposed by War Department regulation. Upon this explanation, the French withdrew this claim.

11. *Excise Taxes.* There have been transferred to France, on cash reimbursement and on credit terms, goods subject to U.S. excise tax on domestic sales. These excise taxes are not payable on sales for export, but it was administratively impossible to follow the procedure prescribed by Treasury Department regulations for establishing the exemptions. However, as the fact of export is undisputed, France has requested that the excise tax be eliminated where it appears on the face of the invoice. The claim appears just in principle and the U.S. and French figures are in substantial agreement. The claim is approved for deduction of \$0.13 million from Modus Vivendi account and \$0.37 million from 3(c) account.

12. *Petroleum Billing Procedure in North Africa.* Petroleum delivered to the French in North Africa up to the middle of 1943 was billed on the basis of proceeds of sale. It was contemplated that after June 30, 1943, billings would be based on landed cost, and this was in fact done for products other than petroleum. However, petroleum has been billed on a proceeds-of-sale basis until September 30, 1943. The French contend that the three-month extension of this procedure for petroleum alone is without present justification, and claim \$1.2 million as the difference in cost to them under the two methods. The claim is allowed at \$1.2 million, to be deducted from Modus Vivendi and charged to straight lend-lease.

13. *Price of Petroleum in North Africa.* The French claim that the prices billed them for petroleum in North Africa from October 1, 1943, were well above current world prices. Explanation of the prices charged has been given to the French by the Army-Navy Petroleum Board, showing that these were actual landed cost prices. The French have accordingly withdrawn this claim.

14. *French Petroleum Deliveries to the North African Pool.* 93,000 tons of French-owned petroleum were contributed to the North African pool through the British. The French claim derives from that of a private French company against which France will agree to indemnify the United States. The French felt that petroleum is a product in such short supply in French territory as not to be a subject of reciprocal aid, and they therefore claim for the full value of these petroleum deliveries. The U.S. side maintained that in view of the large volume of petroleum products furnished by the United States to France on a straight lend-lease basis, the United States should not be required to pay for the comparatively small amount of petroleum furnished to the pool by France, and that France's contributions to the pool must be treated in the same way as those of other members. The U.S. side therefore believed the French contribution should be considered as applied first against French military withdrawals, which considerably exceeded the tonnage of petroleum put into the pool by France. The claim was withdrawn.

15. *Price of Rubber.* It is agreed that the price charged to the French should be the same as that paid by the United States, subject to adjustment for accrued charges, etc. The U.S. side states that necessary revisions will be made as a routine accounting matter.

16. *Missing or Damaged Goods.* France has abandoned this claim.

17. *Cost of Procurement.* France has waived its claim for reduction of the 15% accessorial charge (to cover inland transportation, handling, etc.) on cash reimbursable and 3(c) goods.

However, with respect to coal procured under "Q" requisitions, the U.S. procuring agency requests reimbursement for actual expenses instead of adding 15% to the purchase price. The French point out that the 15% charge is an average designed to cover the overall procuring expenses on a group of commodities. If therefore actual cost of services is to be the rule for coal, the same rule should apply for all other commodities procured under "Q" requisition.

The U.S. side replies that 15% is clearly inadequate to cover accessorial charges in the case of coal and that coal constitutes \$23 million of \$62 million of "Q" requisitions. Application of the 15% rule could therefore result in a loss to the United States which no appropriations are available to cover. On the other hand a complete departure from such rule would create a precedent which would have to be extended to other countries and would

greatly disturb the accounting procedure followed by the U.S. procuring agency.

While it seems that technically the accessorial charge should be consistent throughout, the French side recognizes the problem facing the American administration. Upon the request of the U.S. side, France has consented to withdraw this claim.

18. *Petroleum delivered to Metropolitan France for Civilian Use from February 28 to September 2, 1945.* The French request that such of the petroleum delivered by the combined military supply agencies as was derived from U.S. sources be considered as delivered under the lend-lease agreement of February 28, 1945, rather than under Plan A. The French state that there was no Plan A target program for petroleum and that there was a substantial petroleum program under Schedule I of the lend-lease agreement, which would not be met unless this claim is allowed. The U.S. side replies that in fact these deliveries were made and have been recorded as Plan A deliveries under tripartite supply arrangements under which Great Britain and Canada also have rights. In the light of a satisfactory general settlement of Plan A, France withdraws the claim.

19. *North African Petroleum Stockpile—November 1942.* This French claim for compensation for petroleum taken over by the U.S. military at the time of the landings in 1942 is based on the same contention noted under 14 above, that petroleum is not a subject of reciprocal aid by France. The U.S. position is also the same, that the U.S. cannot pay the French for this stockpile when the U.S. has since that date furnished very much larger amounts of petroleum to the French on a straight lend-lease basis. France has withdrawn the claim.

#### U.S. CLAIMS

1. *Maritime Claims (Knock-for-Knock).* The United States has requested the French to enter into an agreement providing for mutual waiver of intergovernmental claims arising from maritime accidents, and for the handling by each country on a lend-lease and reverse lend-lease basis of claims asserted in its courts by its nationals against the other country. France consents to this principle. The draft of the agreement is still under consideration of both Governments. It is recommended that the agreement be completed and signed as soon as possible, and that, if this cannot be done before a general settlement, the general settlement contain a statement of intention to enter into an agreement covering the lend-lease period.<sup>8</sup>

2. (a) *Tort Claims.* The United States has requested France to assume processing and payment of all presently unpaid claims against the United States, arising out of acts or omissions in France or French overseas territories of members of the United States Armed Forces or civilian personnel attached to such forces, including not only line-of-duty claims, but also off-

<sup>8</sup> See TIAS 1936, *post*, p. 1307.

duty claims of types previously handled by the United States. No claim is made with respect to such claims already paid by the United States. France agrees to assume this obligation as regards items arising from incidents prior to July 1, 1946.

(b) *Patents.* The United States War and Navy Departments have incurred obligations for patent royalties and possible infringement liabilities to French residents on United States patents used in war production, and France has been requested to assume this liability as a matter of reciprocal aid. France agrees to assume this obligation.

(c) *Requisitioned Property.* The United States requisitioned, for use in the war program, property located in the United States and in which French residents had interests, thus incurring liability for payment of the fair value of the property interests requisitioned. France agrees to assume this liability.

(d) Information necessary to the processing of claims assumed by the French Government under this paragraph 2 will be furnished by the United States Government to the French Government on its request.

(e) France also agrees to waive all claims against the United States that the French Government may have with respect to matters described in this paragraph 2.

(f) In the net claims adjustment, an allowance will be made to France in the amount of \$15 million in consideration of such of the obligations assumed by France under this paragraph 2 as are not the subject of reciprocal aid.

3. *Charter Hire.* Recommendations on this subject have been made by a separate combined Shipping Group.

4. *Sugar Barter Agreement.* The so-called "Sugar Agreement No. 2", dated August 1, 1944, between FEA, the French Supply Council, and Commodity Credit Corporation, provided that during the period August 1–December 31, 1944, CCC would furnish approved quantities of refined sugar to the French, would charge FEA's account for refined sugar furnished, and would report to FEA the quantities furnished, for settlement between FEA and the French under cash reimbursement lend-lease. On their side, the French undertook to furnish to CCC 107 pounds of raw sugar from Martinique and Guadeloupe for every 100 pounds of refined sugar furnished to the French, the value of this to be credited against shipments of refined sugar. In fact, the French failed to meet their commitment to the extent of 62,000 tons of raw sugar, and have advised the United States that they will not make such deliveries. CCC has purchased this amount of raw sugar in Cuba, at the higher Cuban price, resulting in an additional cost to CCC of \$669,884.07. CCC has charged this sum to FEA account.

The United States claims that France is liable for this amount as consequential damages resulting from the failure of France to deliver raw sugar



in accordance with the agreement. It is recommended that the claim be approved.

5. *Diversions.* The United States has requested France to include in the general settlement an allowance to cover claims arising out of retransfers or diversions of lend-lease articles by France, occurring in France and French overseas territories during the period from March 11, 1941, to September 1, 1945, inclusive, or out of exports during that period, for which the United States would be entitled to reimbursement. The claim is allowed at \$1 million.

6. *Price Clause Revision.* Under the 3(c) Agreement France is entitled to a 5% reduction from the contract price of articles transferred. The original purpose of this provision was to give France the benefit of contract renegotiation recoveries by the United States procuring agencies. It is now believed that recoveries on contract renegotiation average well under 5%. The United States has considered requesting a revision of the 3(c) Agreement to reflect this fact, but has withdrawn the claim in view of the French abandonment of their request to reduce the item of accessorial charges.

7. *Ballast from North Africa.* U.S. vessels carrying goods to North Africa returned in ballast furnished from French sources. Upon arrival in the United States the ballast was sometimes dumped and sometimes sold. The United States submits that this ballast should be regarded as reciprocal aid. The claim is allowed by France.

For the United States Side  
HENRY R. LABOUISSIE JR.

For the French Side  
CHRISTIAN VALENSI

MAY 28, 1946

SUMMARY—U.S.—FRENCH CLAIMS

		(Millions of dollars)
1. Claims Approved—to be charged to Military Lend-lease		
FRANCE: Military Aid in North Africa		37.9
POW Packages		25.0
2. Claims Approved—to be paid as Military Procurement		
FRANCE: Coal	3.0	
3. Claims Approved—to be reflected in net claims balance		
FRANCE: Crowley-Monnet Adjustment	0.4	
Freight on Off-Shore Goods	4.0	
Price of Cotton	12.6	
Price of Sugar	0.1	
Excise Taxes	0.37	
Allowance on account of U.S. Tort, Patent and Requisitioned Property Claims not eligible for reciprocal aid	15.0	
		32.47
U.S.: Sugar Barter Agreement	.67	
Diversions	1.0	
		1.67
Net claims adjustment in favor of France—		30.80

4. Claims Agreed to in Principle
  - U.S.: Maritime Claims (Knock-for-Knock)
    - Tort Claims
    - Patents, Requisitioned Property
    - Ballast from North Africa
5. Claims Withdrawn
  - FRANCE: Miscellaneous freights
    - Short supply goods—other than coal
    - Price of Locomotives
    - Price of Petroleum—North Africa
    - French Petroleum deliveries to North African Pool
    - Missing or Damaged Goods
    - Cost of Procurement
    - Civilian Petroleum to Metropolitan France—
      - February-September, 1945
      - North African Petroleum Stockpile—November, 1942
  - U.S.: Price Clause Revision

C.V.  
H.L.

## AIDE-MÉMOIRE ON THE SUBJECT OF PLAN A

### *Aide-Mémoire*

In the course of the discussions between the representatives of your government and of the United States Government with regard to the settlement of war accounts between the two governments, consideration has been given to the possible methods of settlement for the United States share of the combined bills for civilian supplies furnished by the combined armies of the Allies for the civilian population of France. The Secretary of State informs His Excellency the Ambassador of the French Republic that, as a result of these discussions, the United States Government has decided that the most satisfactory method of accomplishing settlement for the United States share of the total combined bills being presented to the French Government would be to waive the United States share of the combined bills in connection with the overall settlement of war accounts between the United States and French Governments.

Since the Government of the United States has been committed by written agreements to participate on a combined basis with the United Kingdom and Canadian Governments in the collection of the total bill for these supplies and in the determination of the relative shares of each in the proceeds, it is necessary for this Government to stipulate the following prior conditions to effecting a waiver of the United States share of the combined bills:

That the French Government recognize that the settlement to be made with the United States Government in no way impairs the validity of the obligation of the French Government to the United Kingdom and Canadian Governments for their shares of the combined bills.

That the French Government currently establish a reserve of 10 percent of the combined bills at the time such bills are submitted, such reserve to be deducted from the United States share, and to be held in the name of the

French Government in the Bank of France in funds convertible into sterling or Canadian dollars, or both, at rates to be agreed upon by the Government of France with the United Kingdom and Canadian Governments. This reserve will be payable to the United Kingdom and Canadian Governments to the extent and in such proportions of sterling and Canadian dollars as the United States, United Kingdom, and Canadian Governments may determine by combined agreement to be necessary in order to comply with the existing financial arrangements among the three supplying governments. Such remaining amounts of the reserve not so paid will revert to the free disposition of the French Government upon combined notification by the United States, United Kingdom, and Canadian Governments.

Upon notification by the French Government of their acceptance of the above-stated conditions, the United States Government will effect a waiver of its share of the combined bills in connection with the overall settlement of war accounts between the United States and French Governments.

In identic notes to your government dated April 10, 1946,<sup>9</sup> the Governments of the United States, the United Kingdom, and Canada specified the proportions of the currencies in which payments were to be made for the bills presented to the French Government through December 31, 1945. The notes of April 10, 1946 will be superseded by a notification to the French Government by the three supplying governments of the amount of your government's obligation to the Governments of the United States, the United Kingdom, and Canada.

W.L.T.

DEPARTMENT OF STATE,  
*Washington, May 24, 1946*

MEMORANDUM ON THE SUBJECT OF PLAN A

MAY 28, 1946

*Memorandum*

In connection with the waiver by the United States Government of its claim against the French Government for supplies furnished under Plan A, as contemplated in the Memorandum of Understanding between the French Government and the Government of the United States to be signed this date, it is necessary for the Government of the United States to stipulate that this waiver is conditional upon the fulfillment of the provisions of the Aide Mémoire on the subject of Plan A transmitted by the Government of the United States to the French Government under date of May 24, 1946.

W.L.C.

DEPARTMENT OF STATE,  
*Washington.*

<sup>9</sup> Not printed here.

AGREED LIST OF NON-COMBAT AIRCRAFT REFERRED TO IN PARAGRAPH 6(F)  
OF MEMORANDUM OF UNDERSTANDING, DATED MAY 28, 1946

<i>Item</i>	<i>Quantity</i>	<i>FLC Sales Price</i>	
PBY5A.....	19	\$26,000 ea.	\$494,000
C-47B.....	50	20,000 ea.	1,000,000
C-60A.....	2	25,000 ea.	50,000
C-45F.....	25	25,000 ea.	625,000
UC-78.....	67	2,000 ea.	134,000
BT-13B.....	25	450 ea.	11,250
L-4.....	123	500 ea.	61,500
R-1830-90C.....	17	1,300 ea.	22,100
R-1820-87.....	2	3,000 ea.	6,000
R-985-ANI & 3.....	26	500 ea.	13,000
R-755.....	98	400 ea.	39,200

<i>SPARES</i>						
<i>Item</i>	<i>Procurement Cost Each</i>	<i>Inventory</i>	<i>Total</i>	<i>3 Mo. Supply (3/18 x 20%)</i>		
C-47B.....	\$98,000 x	50 —	\$4,900,000 x	5% —	\$245,000 Less 40% —	\$147,000
C-60A.....	125,000 x	2 —	250,000 x	5% —	12,500 Less 40% —	7,500
C-45F.....	65,000 x	25 —	1,625,000 x	5% —	81,250 Less 40% —	48,750
UC-78.....	35,000 x	67 —	2,345,000 x	5% —	117,250 Less 40% —	70,350
L-4.....	2,450 x	123 —	301,350 x	5% —	15,067 Less 40% —	9,040
BT-13.....	23,400 x	25 —	585,000 x	5% —	29,250 Less 40% —	17,550
PBY5A.....	220,000 x	19 —	(83 days supply spares behind each aircraft figured on basis of above formula equals \$6,013 per aircraft); value for settlement.....			
						114,000

Total of above — \$2,870,240  
Value for settlement — \$2,850,000

For France:

CHRISTIAN VALENSI

For the United States of America:

HENRY R. LABOUISSSE, Jr.

WASHINGTON, May 28, 1946.

LEND-LEASE SETTLEMENT—MAY 28, 1946

1145

## MEMORANDUM RELATING TO SHIPPING CLAIMS

The Government of the United States of America and the Provisional Government of the French Republic during the course of their negotiations on a lend-lease settlement have discussed all mutual shipping problems and shipping claims arising out of the acquisition, operation and disposition of French vessels under the control of the United States of America during the period from December 7, 1941 to May 1, 1946, and have agreed as follows:

1. In full and complete satisfaction of any and all claims and financial obligations of one government against the other arising out of the requisition, use, repair, damage, loss, operation and redelivery of French vessels, the Government of the United States of America will deposit a sum of 17.5 million dollars with the United States Maritime Commission on behalf of the Provisional Government of the French Republic, which sum shall be applied against the purchase by the Provisional Government of the French Republic of up to 75 Liberty ships from the United States Maritime Commission under the terms of the Ship Sales Act, 1946.<sup>10</sup>

a. This sum will be applied by the United States Maritime Commission first to the down payment of the statutory sales price of the vessels at the time of their delivery as required by the Maritime Commission under its regulations; and secondly, any excess of funds remaining after the said down payment will be applied as payments on interest and annual installments as they become payable towards the amortization of the unpaid balance to the extent that such excess of funds are available.

b. The price and other terms of sale shall be mutually determined by the United States Maritime Commission and the Provisional Government of the French Republic in accordance with the Ship Sales Act of 1946.

c. The Provisional Government of the French Republic may make application for the purchase of additional ships from the United States Maritime Commission.

2. All financial claims of one government against the other arising out of the loss of French vessels or their cargoes while said vessels were under the control of the Government of the United States of America are hereby waived.

The Provisional Government of the French Republic hereby assumes responsibility for the processing and payment of any claims now or hereafter made by any person, body or corporation who is or was or claims that he is or was at any time the owner of or who has or had or claims to have or to have had any rights in the rem against, or any beneficial interest in any of the French vessels under the control of the Government of the United States of America during the period referred to above or of any of the cargo on said vessels.

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<sup>10</sup> 60 Stat. 41.

The Provisional Government of the French Republic agrees to indemnify and hold harmless the Government of the United States of America, its agents, servants or employees in respect of any such claim.

3. The arrangements set forth herein will be contingent upon mutually satisfactory settlement of all lend-lease and other war accounts; upon the availability, within the terms of such settlement, of 17.5 million dollars for deposit by the Government of the United States of America with the United States Maritime Commission; and upon the conclusion of an agreement for the purchase and sale of up to 75 Liberty ships referred to above between the United States Maritime Commission and the Provisional Government of the French Republic.

For the Government of the United States of America:

W. L. CLAYTON

For the Provisional Government of the French Republic:

H. BONNET

WASHINGTON, May 28, 1946

U.S. LETTER RELATING TO SHIPPING CLAIMS

*The Assistant Secretary of State to the French Commissioner-General  
of the Plan for Modernization and Re-equipment*

DEPARTMENT OF STATE  
WASHINGTON

MAY 28, 1946

DEAR MR. MONNET:

This will confirm my understanding with you as to the method by which, subject to the provisions of the special agreement relating to shipping claims dated May 28, 1946, the United States will establish with the United States Maritime Commission the credit of \$17,500,000 in favor of the French Government. A sum of \$17,500,000 will be drawn for this purpose from funds heretofore paid by the French Government to the Foreign Economic Administration but not taken into account in arriving at the net amount due the United States set forth in paragraph 2 of the Memorandum of Understanding signed today by our two Governments.

Sincerely yours,

W. L. CLAYTON  
*Assistant Secretary*

The Honorable  
JEAN MONNET,  
*Care of French Supply Council,  
1800 Massachusetts Avenue,  
Washington, D.C.*

## MEMORANDUM RELATING TO TROOP PAY AND MILITARY PROCUREMENT

The representatives of the Government of the United States of America and the representatives of the Provisional Government of the French Republic have accepted the recommendations contained in the joint United States-French Report of the Troop Pay and United States Armed Forces Procurement Subcommittee.

The aforementioned report, and the Memorandum of Agreement between the Government of the United States and the Provisional Government of the French Republic Regarding Expenditures of the United States Armed Forces in French Territory, contain the arrangements and procedures for the settlement of past and future troop pay and procurement of the United States Armed Forces referred to in paragraph 4 of the Memorandum of Understanding of this date between the Government of the United States and the Provisional Government of the French Republic Regarding Settlement for Lend-Lease, Reciprocal Aid, Surplus War Property and Claims.

WASHINGTON, D.C.  
*May 28, 1946.*

For the United States Side  
HAROLD GLASSER  
CARL PFORZHEIMER

For the French Side  
GUILLAUME GUINDEY

## REPORT OF TROOP PAY AND ARMED FORCES PROCUREMENT SUBCOMMITTEE

1. The War Department has submitted the attached report (Memorandum I) showing the U.S. dollar liability to France for net troop pay as approximately \$29 million and for open market procurement not eligible for reciprocal aid as approximately \$2 million, both for the period from D-Day to December 26, 1945.

2. The net troop pay was small in amount because of the large volume of local currency returned to the Army by Army personnel and by others enjoying the privileges of the PX and other Army service organizations.

The detailed reasons explaining the modest amount of troop pay were discussed by the Subcommittee and are embodied in the attached memoranda by the War Department and the French representatives (Memoranda II and III).

3. The French and U.S. representatives on the Subcommittee agree that the extremely small amount of U.S. dollar liability on troop pay account was a result far different from that which had been anticipated at the time when the financial agreements concerning lend-lease and civilian supplies were made with the French in 1943 and 1944.

It was agreed by both sides of the Subcommittee that the small amount of U.S. dollar liability on troop pay account is a factor to be considered in making the over-all settlement of the war accounts.

4. In view of the above, the French representatives on the Subcommittee have agreed to recommend that the War Department report (Memorandum I) be accepted as the basis for the settlement of the troop pay account as a part of the over-all war settlement.

5. The French Government has estimated that U.S. Army procurement through the official French office of Aid to the Allied Forces (AFA) amounted, for the period from September 2, 1945, to December 26, 1945, to five billion francs, or approximately \$100 million at the old rate of exchange. (See attached Memorandum IV.)

The U.S. liability to the French for procurement since December 26 has been estimated at \$20 million to April 1, 1946.

Both the U.S. and French representatives on the Subcommittee concur in these estimates of U.S. Army procurement with the understanding that the actual dollar liability of the U.S. for such procurement will be determined on the basis of the French Government's presentation of appropriate documents in a form acceptable to the U.S. Army, as has been, or may be, agreed upon between the U.S. Army and the French authorities.

6. The U.S. has a liability of \$96 million for the francs in the possession of the U.S. Army after the date of conversion. The French have an obligation to convert into dollars any part of the francs not used, in accordance with the provisions of Paragraph 8(C) below.

7. Against the U.S. obligations the U.S. has advanced to the French on troop pay account \$120 million. The net result, therefore, is as shown in the following table:

*U.S. Liabilities to French*

	(millions of dollars)
1. Net troop pay for period up to Dec. 26, 1945 (at old rate of exchange) .....	29
2. Direct open market procurement prior to Dec. 26, 1945, not eligible for reciprocal aid.....	2
3. Procurement through French (AFA) from Sept. 2 to Dec. 26, 1945..	100
4. Estimated procurement from Dec. 26, 1945, to April 1, 1946.....	20
5. Francs acquired on Dec. 26, 1945 (at new rate of exchange).....	96
<b>TOTAL</b> .....	<b>247</b>

*French Liabilities to U.S.*

1. Advances to French on troop pay.....	120
2. Obligation to convert into dollars excess francs held by Army.....	<sup>1</sup> 76-96
<b>TOTAL</b> .....	<b>196-216</b>
<b>Net estimated U. S. liability to French</b> .....	<b>31-51</b>

<sup>1</sup> This estimate is based on the assumption that net troop pay between Dec. 26, 1945, and April 1, 1946, will not exceed \$20 million.

8. *Suggested procedure for settlement.* In order to avoid difficulties with the over-certification of troop pay, it is recommended that the following procedure be adopted for the settlement of the cash accounts by the U.S. and French Governments:



(A) The U.S. Army will apply the over-certification of net troop pay dollars (approximately \$91 million) and a small sum of additional dollars (approximately \$7 million) to pay for the francs which the Army held on December 26 after the change of the rate of exchange (approximately \$96 million) and non-reciprocal aid open-market procurement (approximately \$2 million). For additional currency needs of the U.S. Armed Forces the U.S. will pay in dollars.

(B) The U.S. Army will pay the French Government for military procurement after September 2, 1945, either in dollars or by tendering the francs which it holds, to the extent that such holdings are in excess of its current needs for troop pay.

(C) The French Government will repurchase against dollars, at the rate at which they were sold to the Armed Forces, the francs presented by the U.S. Armed Forces, but in order to avoid net troop pay negative in amount, this obligation will be subject to the qualifications to be contained in a revised currency agreement.

(D) In order to minimize the transfer into dollars of francs now being held by the Army in excess of its current needs, practical steps will be taken for using these francs for the repayment of the U.S. Army liability for military procurement as estimated in paragraph 5 above.

9. The French have submitted a statement on the Mendes-France Agreement and a proposal for its liquidation (Memorandum V).

#### MEMORANDUM I

#### *Statement by the War Department on Troop Pay and Procurement France*

##### *Troop Pay and Procurement*

(Use of French Franc Currency by the U.S. Army—D-Day to C-Day)

ITEM	millions	
	Francs	Dollars
1. Total Franc Advances.....	20,984	423
a. Through SHAEF/ETO.....	(18,399)	(371)
b. Through ETO/SOLOG.....	(2,370)	(48)
c. Through Captured Enemy Funds.....	(215)	(4)
2. Francs Returned to French (SHAEF/Direct).....	7,478	151
3. Net Advances.....	13,506	272
4. Total C-Day Balance.....	11,432	230
5. Total Net Francs Spent Locally.....	2,074	42
6. Francs Spent by U.S. Army for Direct Local Procurement to 2 September 1945 Chargeable to French as Reciprocal Aid....	541	11
7. Total Due French.....	1,533	31
8. Direct Local Procurement.....	81	2
a. To VJ-Day Not Eligible as Reciprocal Aid.....	(29)	
b. VJ to C-Day.....	(52)	
9. Net Troop Pay.....	1,452	29

## MEMORANDUM II

*War Department Statement on the Major Reasons for the Modest Level of Net Troop Pay*

1. The mechanical limitations of the official accounts, maintained strictly pursuant to US/UK/French currency agreement of 15 August 1944.<sup>11</sup> Thus, U.S. Army monthly French franc Currency Reports reflect:

a. On the disbursements side, *only* French francs used for pay and allowances to U.S. military personnel and such civilians actually paid by the military establishment.

b. On the receipts side, *all* cash collections taking in French francs for services rendered through all Army facilities (such as PX's, messes, clubs, canteens, saletores, commissaries, etc.) and administrative services rendered (such as personnel transfers, money orders, War/Savings bond purchases, currency conversions, etc.) not only for U.S. military personnel but also for the following groups, aggregating several hundred thousand individuals:

(1) U.S. civilians, employed by other U.S. departments and agencies, obtaining francs from sources other than WD dollars and from other than U.S. Army disbursing officers;

(2) Members of the military forces of the Allies, obtaining francs from the French Government itself and/or from non-dollar sources such as sterling, Belgian francs and other foreign currencies;

(3) French civilians employed by or affiliated with the U.S. and Allied military establishments, obtaining francs directly from the French Government itself.

2. The U.S. Armed Forces' observance of the overall policies of the French Government designed to preserve to the maximum extent, and revive as rapidly as possible, their domestic economy after five years of Axis occupation.

a. Implementation by the U.S. Armed Forces of this basic French policy was predicated upon MEMORANDUM No. II "Relating to Currency" of 15 August 1944, and the "Memorandum of Agreement between Supreme Commander, Allied Expeditionary Forces, and the Military Delegate under the Ordinance of 14th March 1944, of the French Committee of National Liberation;" Section IV, paragraph two thereof reading in part, ". . . troops will be encouraged to make the maximum use of military canteens;" and paragraph three which reads, "Troops will be encouraged to reduce to a minimum their drawings on pay. Every effort will be made to induce them to invest." Accordingly, Allied troops were officially encouraged to spend a minimum in France.

<sup>11</sup> 2 UST 1739; TIAS 2313.

b. Maintenance by the French Government of a 50 to 1 franc/dollar rate of exchange resulted in souvenir, gift and luxury item prices extremely unfavorable to military personnel; and U.S. troops, accordingly, could not spend freely. In addition, these luxury items were occasionally acquired in exchange for cigarettes, candy, soap, etc.

c. During Phase One (D-Day to VE-Day) general French hospitality minimized the need for military personnel to expend their own funds. Many comforts, local additions to unit messes and entertainment were provided by the French, either gratuitously or in exchange for eagerly sought items such as cigarettes, chocolate, soap, etc. General desire of French communities to show appreciation upon their liberation, provided units immediately behind the combat lines with many gratuitous goods and services.

d. Various French Ministries cooperated, from the liberation of Paris forward, with the Army Post Exchange system in order to increase production of French souvenir and gift items for sale to military personnel. The Post Exchange system imported into France to aid in this objective, millions of dollars worth of supplies and raw materials not available in France. Purchases by the Post Exchange system, from the proceeds of sales to the military, flowed freely into the French economy. This resulted, however, in additional U.S. drawn French francs remaining within, and non-dollar source French francs flowing into, the U.S. Army Post Exchanges.

e. During Phase Two (the redeployment period) the French Government actively negotiated with U.S. representatives in order to offset the difficult rate of exchange. Adjustment francs totalling 850 francs per man were issued monthly to those permanently stationed in France and to all U.S. military personnel arriving in France on leave, temporary duty, or upon redeployment. As pointed out to the French Government in June 1945, not being distinguishable from the pay and allowances drawn in francs, some of these adjustment francs flowed back into dollars in the form of cash collection as set forth in paragraph 1 b above. Tax exemption was given to the Post Exchange system on all of its ever increasing volume of French merchandise; and tax exemption was offered the individual American soldier under certain export conditions. Finally, there was inaugurated an extensive program of free tours, educational opportunities and special group entertainments.

All of the foregoing conditions described in a through e above reduced the need for American military personnel expenditures in the French local economy.

3. Extra-legal activities of military and civilian personnel in their relations with French citizens. The U.S. Armed Forces inaugurated currency control shortly after VE-Day and is continuously strengthening the control system. It should be noted:

a. The sale of U.S. Government property of material in short supply in France was eliminated by speedy joint action of military and civilian police. However, the seriousness of having French civilians participate in black market operations may not have been brought home as effectively as possible.

b. The very understandable desire of French citizens for a few of life's material comforts provided a great temptation to all Allied personnel having access to Post Exchanges and Quartermaster stores.

c. Although a premium over the official rate was consistently quoted for U.S. currency in the open market, owing to the very restricted availability of dollar notes in the lowest denominations sought by civilian operators, dealings of this nature were extremely limited.

In any event, all of the foregoing types of transactions have resulted in a substantial "value received" on the part of the French population, and represent enhancement of the French economy for which a certain amount of dollars would have had to be spent.

#### MEMORANDUM III

##### *Memorandum by the French Representatives on the Amount of Net Troop Pay*

It is difficult to discover all the reasons why the amount of net troop pay was so low, because the accounting procedure agreed upon in London on August 25, 1944, does not appear to have been exactly followed.

Memorandum II by the War Department contains an accurate analysis of most of those reasons, and as a whole gives a fair story of what happened.

It should be emphasized however that one of the main reasons for the low amount of the net troop pay is to be found in the fact that a very important quantity of U.S. Army supplies was sold for francs to the French population through various channels, and specially through sales by individual members of the American forces at black market prices. Therefore the needs of the U.S. Armed Forces for French currency were covered to a large extent by francs obtained under conditions other than those foreseen at the time of the conclusion of the Agreement of August 25, 1944.

France has thereby lost an important source of dollars, amounting possibly to several hundred million dollars, which both American and French authorities had expected her to receive. This loss has been but slightly balanced by the advantages which resulted from the sale to the French population of various products, as those products were seldom essentials and were as a rule sold at abnormally high prices and distributed under conditions which have further upset the French economy.

## MEMORANDUM IV

*Statement of French Government on Estimate of Goods and Services Furnished to the U.S. Armed Forces between September 2 and December 26, 1945*

According to French Government estimates, expenditures for the procurement of supplies, facilities and services for the U.S. Army in France between September 2, 1945 and December 26, 1945 amounted to 5,000,000,000 francs, that is approximately \$100,000,000. This amount was calculated on the basis of the rate of expenditures by the French Government for reciprocal aid during the months that preceded September 2, 1945, and corrected to take into account the reduction of American Army personnel during that period, as well as the decrease of their needs following the termination of military operations.

## MEMORANDUM V

*Statement by the French Representative on the Application of the Exchange of Letters of May 29, 1944*

1—According to the letter sent by Mr. Mendes-France to Mr. Morgenthau on May 29, 1944,<sup>12</sup> the amount of dollars to be paid by the U.S. Government for the francs used for the pay of the troops should be equitably adjusted, giving particular consideration to the present rate of exchange.

The rate of 50 francs for 1 dollar which has been used as a basis for a provisional settlement should not be kept for a definite settlement, since it would be of too great disadvantage to the U.S. Government. On the other hand, the rate of about 120 francs for 1 dollar is still less to be considered as it would impose an undue burden on the French Government. It must be remembered that this latter rate has been set by the French Government with a view to leaving a margin for an eventual additional rise in French prices. Besides, it must be recalled that, at the time of the landing, French prices were much lower than they are now and that since then they have been steadily increasing. Taking into consideration these various considerations, it seems that an equitable adjustment for the net amount due for the pay of the troops could be made on the basis of 75 francs for 1 dollar.

2—As to the effect of Mr. Mendes-France's letter on the payment of supplies and services furnished by the French Government to the U.S. Army from Sept. 2 to Dec. 26, 1945, it might be discussed whether the wording and the spirit of the said letter cover such items. Without raising such a discussion it should be observed that the billings made out for that period by the French Government to the American Government are computed on the basis of French official prices and tariffs, especially for wages and transportation.

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<sup>12</sup> Not printed here.

When said prices and tariffs are compared with the American prices and tariffs, it appears that the 50 franc rate would be more adequate for the supplies and services than for the pay of the troops. An adjustment, if desired, should be arrived at on the basis of a rate intermediary between 50 and 75 francs.

3—As a whole, the American Government owes to the French Government, for the period preceding the change in the French rate of exchange, the equivalent in dollars of about 5 billion francs for supplies and services and, according to American figures, the equivalent in dollars of about 1.5 billion francs for the pay of the troops and other expenses non eligible as "reciprocal aid." These figures, at the rate of 50 francs for 1 dollar, correspond respectively to about \$100 million and \$30 million, i.e., a total amount of \$130 million.

Moreover, the French Government has disbursed for the U.S. Army a further amount of about 2.8 billion francs for bonus and various facilities; therefore, the U.S. Army has received from the French Government, in cash or otherwise, a total of 9.3 billion francs. If the American Government should pay 130 million dollars as a counterpart, it would correspond to an average rate of about 70 francs for 1 dollar for all the expenses of the American Army.

Such a result would seem to realize the equitable adjustment contemplated in Mr. Mendes-France's letter.

MEMORANDUM OF AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE PROVISIONAL GOVERNMENT OF THE FRENCH REPUBLIC REGARDING EXPENDITURES OF THE UNITED STATES ARMED FORCES IN FRANCE AND FRENCH OVERSEAS TERRITORIES

By agreements entitled "Memorandum No. I, Relating to Administrative and Jurisdictional Questions" and annexes thereto, and "Memorandum No. II, Relating to Currency" initialed by representatives of the United States, British and French Governments on August 15, 1944, and signed in London by General Eisenhower and General Koenig on August 25, 1944,<sup>13</sup> arrangements were made for the supply of French francs by the French Government to the Allied Forces and for the use of French francs by the Allied Forces.

By an agreement entitled "Memorandum Relating to Lend-Lease and Reciprocal Aid", dated August 15/25, 1944, and maintained in force by an exchange of letters between the two Governments on February 28, 1945, financial arrangements were made between United States and French authorities under which francs advanced by the French Government to the United States military forces and used by the latter for net pay of troops and procurement of goods and services and other expenditures not eligible for reciprocal aid were to be paid for by the United States Government in dollars.

<sup>13</sup> 2 UST 1714; TIAS 2313.

By agreement reached in letters from Monnet to Clayton dated September 24, 1945 and from Clayton to Monnet dated October 31, 1945, reciprocal aid from France was considered as ending simultaneously with lend-lease aid from the United States to France, i.e., on September 2, 1945 at 00.01, with certain exceptions.

On December 26, 1945 the French Government changed the rate of exchange between the French franc and the United States dollar. On December 26, 1945, the United States Armed Forces returned to the Bank of France through book entry the total amount of official franc funds held by finance officers, and franc funds held by United States Armed Forces organizations and members of the United States Armed Forces. This return was effected in order to terminate and settle the French franc advances made by the French Government since D-Day. However, at the time of the repayment, the United States Armed Forces by book entries effected the withdrawal of the same amount of francs from the Bank of France.

The agreements in the following list, which does not purport to be exclusive, are referred to for identification purposes only:

Memorandum of Agreement between the Supreme Commander, Allied Expeditionary Force and the military delegate under the Ordinance of 14 March 1944 of the French Committee of National Liberation for the procurement of supplies, services and facilities in Continental France, drawn pursuant to Article 17 (iv) of "Memorandum No. 1 Relating to Administrative and Jurisdictional Questions in Continental France" signed in London on August 25, 1944.

Memorandum of Agreement between the Supreme Commander of the Allied Expeditionary Force and the military delegate appointed under the Ordinance of 14 March 1944 of the French Committee of National Liberation, drawn under Article 18 of Memorandum No. 1 concerning the observation by the Allied Forces of the French regulations concerning the exchange of currency and the export of capital and other matters, signed in London on August 25, 1944.

Memorandum of Agreement between the French Financial Attache in London and Supreme Headquarters, Allied Expeditionary Force, relating to mutilated currency.

Letter of August 20, 1945, from Headquarters USFET to M. Brunet, Director of the Treasury in the French Ministry of Finance, regarding the vesting directly in the United States Armed Forces of the benefits of certain financial arrangements formerly held by SHAEF.

Reference is made to current conversations between the United States Treasury Representative in France and representatives of the French Government regarding the conversion and redemption of franc currency found among the personal effects of deceased personnel of the United States Armed Forces.

It is now deemed desirable to amend, in certain respects, some of the terms of the aforementioned agreements. The following amendatory provisions, which shall take effect as indicated below, are hereby agreed upon:

1. (a) All French francs held by the United States Armed Forces on December 26, 1945, and accounted for to the Bank of France, will be purchased at the rate of 118.959107 francs to the dollar.

(b) All French francs required by the United States Armed Forces for use in Continental France including Corsica and in French Overseas Territories, in addition to those purchased on December 26, 1945, will be purchased from the French authorities against payment of their countervalue in United States dollars.

(c) The United States Armed Forces may accept francs from, and shall accept francs from none other than, members of the United States Armed Forces, quasi-official organizations, agencies and personnel in and under the military establishment. The United States Armed Forces shall take all practical measures to avoid the acquisition of francs derived from non-official channels.

2. The francs acquired by the United States Armed Forces may be used only for: (a) the pay, exchange of funds, and encashment of dollar instruments authorized by the United States Armed Forces, of troops and personnel in and under the military establishments, and (b) procurement of goods and services. Such francs will be tendered and accepted at the same rate at which acquired, for each dollar of local procurement not eligible for reciprocal aid, the dollar value being computed at the rate in force when the goods and services were actually furnished.

3. Appropriate United States and French authorities will determine the cases in which United States Armed Forces will, in conformity with the requirements of the French Government, procure, in Continental France including Corsica and in French Overseas Territories, goods and services through appropriate French agencies designated by the French authorities, and the cases in which they will procure such goods and services through direct purchases.

Goods and services procured by United States Armed Forces before the termination of reciprocal aid when ineligible, and after the termination of reciprocal aid, will be paid for on the basis of the French authorities' presentation of appropriate documents in a form acceptable to the United States Armed Forces as has been, or may be, agreed upon between the United States Armed Forces and the French authorities.

4. In Continental France including Corsica and in French Overseas Territories unused francs may be returned to the French Government by the United States Armed Forces at any time, and will be repurchased by the French Government against dollars at the rate at which they were acquired by the United States Armed Forces; it being stipulated that the obligation



of the French Government to repurchase said francs shall not exceed the amount of francs acquired against dollars on and after December 26, 1945 by the United States Armed Forces, after deducting therefrom the amount of francs used by the United States Armed Forces for procurement of goods and services.

5. In conformity with the requirements of the French Government, the United States Armed Forces will, in Continental France including Corsica, and in French Overseas Territories, sell all scrap and salvage only through appropriate French agencies designated by the French authorities with such exceptions as may be agreed upon. Scrap and salvage thus sold to the appropriate French agencies will be paid for by the French authorities in United States dollars.

6. The United States Armed Forces will continue to maintain their accounts so that there will be made available to the appropriate French authorities, through the United States Treasury Representative in France, monthly records of the purposes for which francs have been used by the United States Armed Forces. Official statements will be rendered quarterly by the United States authorities.

7. To the extent that agreements referred to herein are not inconsistent with the terms of the within memorandum of agreement they shall remain in full force and effect.

8. This Memorandum of Agreement shall be effective upon signature.

Done at Washington, in duplicate, in the English and French languages, this 28th day of May, 1946.

For the Government of the United States of America

FRED M. VINSON

GEORGE J. RICHARDS

W. L. CLAYTON

For the Provisional Government of the French Republic

H. BONNET

DECLARATION BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND THE PROVISIONAL GOVERNMENT OF THE FRENCH REPUBLIC ON  
COMMERCIAL POLICY AND RELATED MATTERS

The Government of the United States of America and the Provisional Government of the French Republic, having concluded comprehensive discussions on commercial policy and related matters, find themselves in full agreement on the general principles which they desire to see established to achieve the liberation and expansion of international trade, which they deem to be essential to the realization of world-wide prosperity and lasting peace.

The French Government has made known to the United States Government the measures which it has taken and intends to take to make possible the attainment of this common objective. The French Government has also made known to the United States Government its plan for the reconstruction and modernization of the French economy. In accordance with the letters exchanged on November 8, 1945, the two Governments have examined this plan and have agreed that the attainment of its objectives should make possible full participation by France in the cooperative achievement of an expanding world economy.

The two Governments have studied the problems involved in the construction of a general framework for world trade and have also examined a number of specific questions relating to commercial policy and other matters which are of interest to themselves and to other countries. The following joint statement by the two Governments summarizes the understandings reached in these discussions.

## I

The two Governments are in complete agreement, at all important points, on the principles expressed in the "Proposals for Consideration by an International Conference on Trade and Employment" submitted to the French Government by the Government of the United States. They have therefore resolved to continue discussions between themselves and with other like-minded countries in order to give effect to these principles in the Charter of the proposed International Trade Organization. The two Governments are of the opinion that the prior conclusion of agreements among the major trading nations of the world for the substantial reduction of tariffs and other barriers to trade and for the removal of discriminatory arrangements would contribute greatly to the success of the World Conference.

## II

The French Government has advised the United States Government of the following policies:

(a) A new French tariff is being prepared which will contain *ad valorem* duties only and which will not increase the degree of protection over the level which existed prior to the war. This new tariff will serve as the level from which reciprocal reductions will be negotiated in the forthcoming multilateral conference.

(b) France has definitely abandoned its pre-war policy of protecting French producers with import quotas.

(c) The French Government has reiterated that it has abandoned the price equalization (perequation) procedure which it was compelled to use provisionally during the period prior to the revaluation of the franc in order to facilitate exports.

## III

The French Government has made clear that it must maintain import controls within the framework of an import program but that it will maintain such controls only so long as they are necessary to safeguard the equilibrium of its balance of payments and to achieve in an orderly way its plan of reconstruction and modernization. The French Government will administer the issuance of import licenses under the French import program without discrimination as among foreign sources of supply as soon as France possesses, or is able to earn, sufficient free foreign exchange so that it is no longer necessary for her to make her purchases within the limits of bilateral trade and financial arrangements.

## IV

The two Governments have reached a mutually satisfactory understanding on the return to private channels of trade between France and the United States. The French Government has already restored to private channels a large part of the import trade of France and its colonies, and will continue to curtail the foreign procurement activities of the Government.

French Government procurement in the United States will be limited to equipment for public corporations and agencies. For the time being, Government procurement will also be continued for a restricted list of items, such as short supply foodstuffs, steel, lumber, tires and certain medical supplies.

Temporarily, a part of French imports will be handled by associations of private traders, (groupements) until the difficulties of loading, shipment, and transport of essential supplies and their distribution in France are overcome.

The French Supply Council in the United States will continue to operate on a reduced scale, engaging principally in the liquidation of outstanding contracts and governmental procurement as indicated above. It will limit its purchases to the satisfaction of essential civilian requirements; it will make the maximum practicable use of normal trade channels; it will pursue methods consistent with commercial practices and it will cease operations as soon as possible.

## V

The two Governments have agreed that important benefits would accrue to both countries from a substantial expansion of French exports to the United States. They have discussed certain United States laws and regulations, which, in the opinion of the French Government, tend to hamper unduly the importation of French products into the United States. Special attention has been given to trade mark and copyright legislation, the use of geographic names related to particular products, price control of imported goods, and valuation of imported goods for the assessment of customs duties.

The various agencies of the United States Government which are concerned with these matters have agreed to give careful and sympathetic consideration to the views of the French Government, and to study the possibility of altering their administrative procedures or recommending to the Congress the revision of existing legislation.

## VI

The two Governments have agreed, subject to participation in the program by other important industrial nations, each to license freely and without royalty to the nationals of the other, on conditions of reciprocity, all former German-owned patents which have come into the full possession of either Government, reserving only those rights which have already been granted with respect to such patents. The two Governments believe that the general adoption of this policy will eliminate an important barrier to international trade and will contribute substantially to the achievement of expanding world economy. In accordance with these objectives, they have agreed, at some future time, jointly to consider other questions relating to German patents.

## VII

The French Government will accord to American nationals who have suffered damage to their properties in France, through causes originating in the war, compensation equal to that payable to French nationals having the same types and extent of losses. The United States Government has informed the French Government that equality of treatment is accorded to French and American nationals with reference to war damages to property in the United States.

## VIII

In order to provide a sound framework for the expansion of mutually beneficial economic relations between their two countries, the Governments of France and the United States have agreed to begin negotiations as soon as possible looking toward the conclusion of a modern and comprehensive Treaty of Establishment, Commerce and Navigation.

DONE at Washington, in duplicate, in the English and French languages, this 28th day of May, 1946.

For the Government of the United States of America:

JAMES F. BYRNES

For the Provisional Government of the French Republic:

LÉON BLUM

UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES  
OF AMERICA AND THE PROVISIONAL GOVERNMENT OF THE FRENCH  
REPUBLIC WITH RESPECT TO THE EXHIBITION OF AMERICAN MOTION  
PICTURES IN FRANCE

The Government of the United States of America and the Provisional Government of the French Republic, in the light of their broad agreement of this date on commercial policy objectives, and with special regard to changes brought about by the war, have reexamined certain problems relating to the exhibition in France of dubbed American motion picture films. As a result of these conversations, the French Government has informed the American Government that it will take the following measures which will be applied in the customs territory of France:

Effective July 1, 1946, all previous provisions concerning the number of dubbed films permitted to be shown in France will be abandoned. On the same date, a "screen quota" system will be instituted, as a temporary protective measure, to assist the French motion picture industry to recover from the disorganization caused by enemy occupation of France. Under this system, motion picture exhibitors in France will be required to exhibit French films for a certain number of weeks per quarter. During the remaining weeks, French exhibitors will be allowed free choice of films, foreign or domestic.

Beginning July 1, 1946, the screen quota reserved for French films will be not more than four (4) weeks per quarter.

The screen quota shall continue at the level of four (4) weeks per quarter unless reduced to three (3) weeks per quarter by the operation of the following automatic formula:

If, in any two-year period ending on June 30, 1948, or on June 30 of any subsequent year, feature films produced in France should obtain total playing time in French theatres equal to or greater than an average of five (5) weeks per quarter, the screen quota shall automatically be reduced to three (3) weeks per quarter effective October 1 following the expiration of such two-year period.

If, through the operation of the above formula, the screen quota should be reduced to three (3) weeks per quarter, it shall continue at that level unless terminated entirely by the operation of the following automatic formula:

If, in any two-year period ending on September 30, during the whole of which period a screen quota of three (3) weeks per quarter is in effect, feature films produced in France should obtain total playing time in French theatres equal to or greater than an average of five (5) weeks per quarter, the screen quota shall be entirely abolished effective January 1 following the expiration of such two-year period.

The French Government has agreed that, in the period during which the screen quota remains in force, it will impose no restrictions whatever on the importation of American films into France, and no restrictions other than the screen quota on the exhibition of American films in France, except such restrictions as are also applied to French films. If, through the operation of this plan, the screen quota should be entirely abolished, there will be, on and after the effective date of such abolition, no restrictions on the importation of American films into France, and no restrictions on the exhibition of American films in France, except such restrictions as are also applied to French films.

The United States Government has noted with satisfaction that the new measures to be taken by the French Government contemplate the complete elimination of protection when the French producing industry has regained its competitive strength.

If, in the opinion of either Government, this plan should, at some future time, be inappropriate to the conditions then prevailing in the French motion picture producing industry or in the French motion picture market, each Government has reserved the right to request the other to undertake negotiations looking toward its modification or termination. If, upon the expiration of six months from the date of such a request, these negotiations shall not have reached a conclusion satisfactory to both Governments, the terms of the Reciprocal Trade Agreement which is then in effect between them shall apply.

DONE at Washington, in duplicate, in the English and French languages, this 28th day of May, 1946.

For the Government of the United States of America:

JAMES F. BYRNES

For the Provisional Government of the French Republic:

LÉON BLUM

INTERPRETATION OF PARAGRAPH 6(i) OF THE "MEMORANDUM OF  
UNDERSTANDING BETWEEN THE UNITED STATES AND FRANCE"

MAY 28, 1946

Paragraph 6(i) of the "Memorandum of Understanding Between the United States and France" reads as follows:

"The United States Government will undertake to make available to the French Government part of the United States Government's share of captured German and Japanese surface naval vessels when such vessels become excess to United States needs and are no longer needed for any task connected with the implementation of the German and Japanese surrenders."

The United States authorities are presently engaged in examining the conditions under which such vessels may be legally made available to another power. In the circumstances, it is understood by both parties to this "Memorandum" that the phrase "will make available to the French Government" in the above quoted paragraph is not to be construed as an undertaking that the vessels in question will be transferred without compensation.

For the Government of the United States

W. L. CLAYTON

For the Provisional Government of the French Republic

H. BONNET

WASHINGTON, *May 28, 1946*

DECLARATION MADE IN PARIS BY THE PRESIDENT OF THE PROVISIONAL  
GOVERNMENT OF THE FRENCH REPUBLIC AND IN WASHINGTON BY THE  
PRESIDENT OF THE UNITED STATES ON MAY 28, 1946

Representatives of the Provisional Government of the French Republic and the Government of the United States have met together in Washington and have discussed important economic and financial problems of common interest. These problems have included the need for foreign credits for reconstructing and modernizing the French economy, the settlement of lend-lease reciprocal aid and other war accounts, the purchase of United States surplus property situated in France and certain French overseas territories, the purchase of ships owned by the United States, and international commercial policy.

The discussions have brought out clearly the full agreement of the two Governments on cooperation in the fulfillment of the economic objectives which both Governments recognize as essential to world peace and prosperity. The well-being of the people of all nations can be advanced through a full flow of trade which enables each country to maintain higher levels of production and better standards of living. These benefits of world trade can be realized only as the markets of the world are opened to all countries on fair and equal terms. The two Governments are determined to work together in securing general international acceptance of the world trade proposals of the United States to be considered by a conference of the United Nations.

The reconstruction and modernization of the French economy will facilitate the integration of Europe in the world economy and enable France to resume her place as a great producing and trading nation. The French Delegation has presented a program for reconstructing and modernizing the economy of France. The immediate objective is to restore French production to the prewar level; the ultimate objective is to expand French production to

higher levels commensurate with the technical progress of the past two decades. One requisite for the fulfillment of this program is an adequate and assured supply of coal, not only from increased French production, but also from imports of German coal. The United States Government will continue to assist France in securing an adequate supply of coal from Germany.

In the opinion of the American representatives, attainment of the objectives of increased production and trade presented by the French Delegation is necessary to the full and effective participation of France in the world economy. In furtherance of the efforts of the French people to this end, the United States has agreed to the extension of additional credits to France.

At the end of 1945 the Export-Import Bank made a loan of \$550 million to France. The Board of Directors of the Export-Import Bank have now approved a new line of credit of \$650 million. This action has been taken pending the time when the International Bank for Reconstruction and Development will be in full operation.

The two Governments have reached complete agreement for the final settlement of all lend-lease and reciprocal aid, including military and civilian supplies furnished by each Government to the other. They have also agreed on the acquisition of United States army and navy surplus property located in France and certain French overseas territories. Under this Agreement, credits of \$720 million have been provided for the purchase of surplus property and for goods supplied to France since the end of the war.

Discussions are taking place for an additional credit, subject to the provisions of the Merchant Ship Sales Act of 1946, whereby France will acquire approximately 750,000 tons of merchant shipping owned by the Government of the United States.

The two Governments believe that the results of the discussions which have now been concluded will help France in reconstructing and modernizing the French economy and are a substantial step towards the achievement of the international economic cooperation which is the prerequisite of a peaceful and prosperous world. They welcome the support of all of the United Nations in establishing a world trading and monetary system which will assure a full flow of commerce to the benefit of the peoples of all countries.

LÉON BLUM

Approved 5/28/46

HARRY S. TRUMAN